

**REPORT OF THE AUDIT OF THE
JACKSON COUNTY
SHERIFF**

**For The Year Ended
December 31, 2002**



**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
www.kyauditor.net**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Tommy Slone, Jackson County Judge/Executive
Honorable Tim Fee, Jackson County Sheriff
Members of the Jackson County Fiscal Court

The enclosed report prepared by Ross & Company, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the Sheriff of Jackson County, Kentucky, for the year ended December 31, 2002.

We engaged Ross & Company, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Ross & Company, PLLC, evaluated the Jackson County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure



**REPORT OF THE AUDIT OF THE
JACKSON COUNTY
SHERIFF**

**For The Year Ended
December 31, 2002**

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY 40299
Telephone (502) 499-9088
Facsimile (502) 499-9132

EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
JACKSON COUNTY SHERIFF

For The Year Ended
December 31, 2002

Ross & Company, PLLC has completed the Jackson County Sheriff's audit for the year ended December 31, 2002. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees decreased by \$2,659 from the prior calendar year, resulting in excess fees of \$1,126 as of December 31, 2002. Revenues increased by \$29,097 from the prior year and disbursements increased by \$31,756.

Report Comments:

- The Sheriff Disbursed Too Much Money From the COPS Grant Account
- The Sheriff Should Not Over Spend His Budget
- The Sheriff Should Submit An Annual Settlement Of Excess Fees With The County
- The Sheriff Should Invest Money In Interest Bearing Accounts
- Lacks Adequate Segregation Of Duties

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES.....	3
NOTES TO FINANCIAL STATEMENT	5
COMMENTS AND RECOMMENDATIONS	9
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	13

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY 40299
Telephone (502) 499-9088
Facsimile (502) 499-9132

To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Tommy Slone, Jackson County Judge/Executive
Honorable Tim Fee, Jackson County Sheriff
Members of the Jackson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Jackson County, Kentucky, for the year ended December 31, 2002. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2002, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated November 3, 2003, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Tommy Slone, Jackson County Judge/Executive
Honorable Tim Fee, Jackson County Sheriff
Members of the Jackson County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff Disbursed Too Much Money From the COPS Grant Account
- The Sheriff Should Not Over Spend His Budget
- The Sheriff Should Submit An Annual Settlement Of Excess Fees With The County
- The Sheriff Should Invest Money In Interest Bearing Accounts
- Lacks Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in cursive script that reads "Ross & Company".

Ross & Company, PLLC

Audit fieldwork completed -
November 3, 2003

JACKSON COUNTY
TIM FEE, COUNTY SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2002

Receipts

Federal Grants		
US Forestry	\$ 7,325	
COPS	<u>91,078</u>	\$ 98,403
State - Kentucky Law Enforcement Foundation Program Fund		11,944
State Fees For Services:		
Finance and Administration Cabinet	\$ 2,352	
Cabinet For Human Resources	<u>167</u>	2,519
Circuit Court Clerk:		
Sheriff Security Service	\$ 4,746	
Fines and Fees Collected	5,126	
Other	<u>100</u>	9,972
County Clerk - Delinquent Taxes		1,913
Commission On Taxes Collected		77,942
Fees Collected For Services:		
Auto Inspections	\$ 3,575	
Accident and Police Reports	164	
Serving Papers	11,400	
Carrying Concealed Deadly Weapon Permits	<u>6,285</u>	21,424
Other:		
Miscellaneous	\$ 4,612	
Add-on Fee	<u>21,350</u>	25,962
Interest Earned		218
Borrowed Money:		
Loan (Vehicle Purchase)		<u>17,000</u>
Total Receipts		<u>\$ 267,297</u>

The accompanying notes are an integral part of this financial statement.

JACKSON COUNTY
TIM FEE, COUNTY SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
For The Year Ended December 31, 2002
(Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$	19,449	
COPS Salaries		75,513	
Kentucky Law Enforcement Foundation Program Fund		<u>9,458</u>	\$ 104,420

Contracted Services-

Advertising	\$	508	
Vehicle Maintenance and Repairs		<u>11,074</u>	11,582.00

Materials and Supplies-

Office Materials and Supplies	\$	11,276	
Uniforms		<u>6,662</u>	17,938

Auto Expense-

Gasoline			19,935
----------	--	--	--------

Other Charges-

Dues	\$	325	
Service Charges		95	
Postage		508	
Travel		1,161	
Refunds		600	
Reimburse 2001 Fee		1,719	
Blood Alcohol		400	
Carrying Concealed Deadly Weapon Permits		5,645	
Miscellaneous		<u>7,203</u>	17,656

Capital Outlay-

Vehicles			15,000
----------	--	--	--------

Debt Service:

Loan (Vehicle Purchase)	\$	17,000	
Interest		<u>381</u>	<u>17,381</u>

Total Disbursements			<u>\$ 203,912</u>
---------------------	--	--	-------------------

Net Receipts			\$ 63,385
--------------	--	--	-----------

Less: Statutory Maximum			<u>62,259</u>
-------------------------	--	--	---------------

Excess Fees Due County for 2002			<u><u>\$ 1,126</u></u>
---------------------------------	--	--	------------------------

The accompanying notes are an integral part of this financial statement.

JACKSON COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2002

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2002.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent for the first six months of the year and 6.34 percent for the last six months of the year.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

JACKSON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2002
(Continued)

Note 3. Deposits:

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2003, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 4. COPS Grant

The Jackson County Sheriff received a COPS grant during 2001. The beginning balance as January 1, 2002 was \$785.12. During 2002, the account received \$94,215 and expended \$91,078. The ending balance in the account as of December 31, 2003 was \$3,922.

COMMENTS AND RECOMMENDATIONS

JACKSON COUNTY
TIM FEE, COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2002

STATE LAWS AND REGULATIONS:

The Sheriff Disbursed Too Much Money From The COPS Grant

The Sheriff received a COPS In School Grant during calendar year 2001. The purpose of this Grant was to provide a resource officer for schools. During calendar year 2002, \$91,078 was transferred to the 2002 Fee account to reimburse the account for salaries. Salary expense for calendar year 2002 from the COPS account seems to have been \$6,281 per month or \$75,382 per year. This resulted in an excess of \$15,696 being disbursed from the COPS grant greater than the COPS grant expenses. We recommend that this money be returned to the COPS Grant.

County Sheriff's Response:

None.

The Sheriff Should Not Over Spend His Budget

The Sheriff's budget as approved by the fiscal court allowed the Sheriff to expend \$233,668. Actual expenditures were \$266,171. The Sheriff should either stay within his budget or ask the fiscal court to amend his budget to include additional expenditures.

County Sheriff's Response:

None.

The Sheriff Should Submit An Annual Settlement of Excess Fees With County

Our audit disclosed the Sheriff had not made an annual settlement of excess fees to the fiscal court. KRS 134.310 (5)(a) requires the Sheriff to annually file a complete statement with the county of all funds received by his office and (b) all funds expended by his office. The Sheriff should comply with this statute.

County Sheriff's Response:

None.

The Sheriff Should Invest Money In Interest Bearing Accounts

The Sheriff deposited fee account funds into a non-interest bearing account. KRS 66.480(4) states, the county officials “. . . at the direction of the fiscal court shall invest and reinvest money subject to their control and jurisdiction.” Since the Sheriff had excess fees for calendar year 2002, interest earned on the fee account would have increased the amount of excess fees due the county. We recommend the Sheriff comply with KRS 66.480(4) by depositing fee account funds into interest bearing accounts in the future.

County Sheriff's Response:

None.

JACKSON COUNTY
TIM FEE, COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2002
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES:

Lacks Adequate Segregation Of Duties

We recognize the extent of segregation of duties is a judgment established by management. We also recognize this judgment is affected by certain circumstances beyond the elected official's control such as functions prescribed by statutes and regulations, and by budgetary constraints. Due to limited staff, a proper segregation of duties may be impossible. However, the lack of adequate segregation of duties is hereby noted as a reportable condition pursuant to professional auditing standards. We believe this reportable condition as described above is a material weakness. We recommend the Sheriff establish a proper segregation of duties over his operations.

County Sheriff's Response:

None.

PRIOR YEAR:

The Sheriff Should Invest Moneys In Interest-Bearing Accounts

County Sheriff's Response:

None.

Lacks Adequate Segregation Of Duties

County Sheriff's Response:

None.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY 40299
Telephone (502) 499-9088
Facsimile (502) 499-9132

To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Tommy Slone, Jackson County Judge/Executive
Honorable Tim Fee, Jackson County Sheriff
Members of the Jackson County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Jackson County Sheriff for the year ended December 31, 2002, and have issued our report thereon dated November 3, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Jackson County Sheriff's financial statement for the year ended December 31, 2002, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The Sheriff Disbursed Too Much Money From the COPS Grant Account
- The Sheriff Should Not Over Spend His Budget
- The Sheriff Should Submit An Annual Settlement Of Excess Fees With The County
- The Sheriff Should Invest Money In Interest Bearing Accounts

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Jackson County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

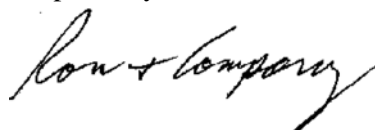
Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the accompanying comments and recommendations.

- Lacks Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ross & Company", written in a cursive style.

Ross & Company, PLLC

Audit fieldwork completed -
November 3, 2003

